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April 30, 2004

TO: Each Supervisor

FROM: Thomas L. Garthwaite, MD
Director and Chief Medical Officer

A handwritten signature in black ink, reading "Thomas L. Garthwaite", is written over the printed name and title.

**SUBJECT: PROGRESS ON NEGOTIATIONS REGARDING AFFILIATION
AGREEMENT WITH DREW UNIVERSITY and ANALYSIS OF
ALTERNATIVE STRATEGIES**

On January 13, 2004, your Board approved a recommendation from the Department of Health Services (DHS) to terminate our affiliation agreement with the Charles R. Drew University of Medicine and Science (Drew) as of September 1, 2004, and to immediately enter into negotiation with Drew to create an enhanced replacement agreement. The replacement agreement is to reflect the recommendations of the Satcher Task Force and to result in structural changes in the design of educational and clinical programs. To the extent possible, the new agreement will solidify and facilitate a collaborative relationship between Drew and DHS. On March 9, 2004, your Board also instructed the Department to evaluate alternative actions that would be taken if the negotiations with Drew prove unsuccessful and to define specific criteria to be applied in assessing a draft agreement.

Progress in negotiations

Teams from Drew and DHS are meeting weekly at the King/Drew Medical Center campus. From the start, the meetings have been informative, candid and constructive. We have made significant progress in principle on the structure of the agreement and have made considerable progress in drafting the language of the new agreement. The Department has emphasized that we must change the structure of the relationship to assure good communication and the sharing of all information, to provide incentives to the faculty such that clinical care and teaching are rewarded, and to develop valid measures of compliance with the contract. I have been encouraged that the current leadership of the University welcomes measures of accountability, has suggested meaningful measures on their own, and shares our frustration over the historical lack of reliable data to manage the affiliation.

Our earliest meetings included a review of the medical services provided in SPA-6 and the

proportion of those services currently provided by King/Drew Medical Center. We also looked at trends in SPA-6 regarding disease prevalence, demographics and the need for expanded services including public health and disease prevention. While restructuring of the care delivery model at King/Drew to address those needed medical services cannot occur before the deadline for these negotiations (July 15, 2004), we will structure the contract to assure a commitment and flexibility to pursue timely joint planning for the future. Both sides have embraced Dr. Satcher's vision of a Center for Urban Multicultural Health.

Another important area of discussion and of ready agreement has been the concept of incentives for excellence in teaching. The Department is working to define the concept and the extent of an "at risk" incentive pool. We believe that faculty who demonstrate high performance in education must be identified, acknowledged and rewarded.

With regard to the number of training programs and number of resident positions in each program, we continue to look at workload data and to examine the inter-relationships among programs and the need for certain programs in the accreditation process. While it is not possible to effect immediate change beyond the loss of Radiology and Surgery due to contractual obligations, we will address future program size and consolidations in the agreement language.

While the process to date has been exceptionally collaborative, I anticipate that we will find areas of disagreement over the next two months as we finalize the language and discuss the funding levels. That said, I remain optimistic and encouraged by the negotiations and the desire on both sides to find and share information and to construct a relationship that works. I also am encouraged by other recent actions regarding Drew, its programs and its future:

- Most significantly, the recent, substantive action by the Board of Trustees to effect a new composition and direction for itself and the University
- The leadership and funding from the California Endowment to create and support a steering committee to advise Drew and DHS in the restructuring of the University and its relationship with DHS
- The leadership and expertise of the University of California through its Vice President for Clinical Programs, Michael Drake, MD, who has instituted numerous activities to share the technical knowledge of academic program administration from the UC system with Drew academic leaders
- The increasing acceptance of and recent pressure for positive change from interested elected officials
- The dramatic improvement in communication between King/Drew Medical Center and Drew leadership
- The progress in restructuring the clinical services at King/Drew and the progress in addressing long-standing hospital issues dealing with accreditation of residency programs

Alternatives to Drew Affiliation

The following alternatives have been researched and discussed. We continue to plan for their implementation should that be necessary.

LA County Department of Health Services takes over the training programs and operates them

This option is our first choice should negotiations with Drew prove unsuccessful. In this arrangement, LA County becomes the sponsoring institution, hires the academic leaders needed to oversee the educational program, continues to hire and pay the residents, and develops affiliations as needed to assure accreditation. The ease of transition to this model would depend on which faculty and residents would wish to remain under the new arrangement and the ability of the new program to attract faculty and residents. Should this option be necessary, I envision the evolution toward stronger involvement of our other two affiliates over time in some specialties.

According to the Accreditation Council on Graduate Medical Education (ACGME), a change in sponsoring institution can be accomplished with appropriate letters from both institutions. Additional program reviews and site visits would be anticipated as the ACGME and their committees assure that the new model is functioning appropriately.

The local model of an academic medical center without a university running training programs is Cedars-Sinai Medical Center. I have had discussions with the academic leadership of Cedars-Sinai with regard to the nature of their program and its challenges. Their issues with training seem no more daunting than those that DHS experiences today.

The negotiating teams expect to come to agreement by July 15, 2004. The criteria for success are listed in Table I, attached to this document. In the event that we are unable to reach agreement by that date, we would undertake a series of steps to effect a transition to a County-run Graduate Medical Education program at King/Drew Medical Center (see Table II).

Another university assumes responsibility for the training programs

While the University of California system has been exceptionally helpful in providing consultation, leadership and expertise, they are clear that they have no interest in or ability to take over the King/Drew programs *en masse*. Likewise, the University of Southern California has also been helpful in providing consultation and expertise but is undergoing a transition in medical leadership this July and is unable to consider taking over responsibility for all the King/Drew programs. Both Universities remain interested in helping King/Drew and remain open to further discussion of collaborative or other arrangements in the future. I believe that under the County-run model, selected collaborations or combined programs are likely.

Non-academic, clinical services only model

While many hospitals operate effectively without resident training programs, a transition to this model of care at King/Drew Medical Center is the Department's last choice for several reasons: 1) there is a need for physicians in underserved areas and trainees from programs in underserved areas are more likely to practice in similar areas, 2) DHS has an obligation to its current residents and, as we have learned recently with radiology and surgery residents, placing these residents in other programs will be enormously disruptive to them and the care we deliver, and 3) contracting for services will be challenging even if most of the current physician staff form a group practice and compete to provide coverage.

Conclusion

Negotiations to date and especially the actions taken by the Drew Board of Trustees and other interested parties indicate that the current strategies to improve and strengthen the clinical and educational programs at King/Drew Medical Center and Drew University are unprecedented and significant. Significant additional work and consistent follow-through will be necessary for these evolving structural changes to succeed. DHS is committed to both.

Please let me know if you have any questions.

TG

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

Table I – Specific criteria for assessing a renewed contract with Drew University

For the Director to recommend to the Board that they accept a new contract, the following items must be explicitly met:

1. Specific measures of clinical productivity
2. Specific measures of educational productivity and effectiveness
3. Defined relationship between Drew stipends and measures of clinical care and education
4. Specific consequences for failure to adhere to the agreement
5. Name and size of each program that LADHS & Drew will sponsor and operate
6. Structure and commitments for communication and information sharing
7. Evidence of sufficient structural change at Drew to believe that recent changes are permanent
8. Commitment to an ongoing planning and restructuring process

Table II – Timetable for preferred alternative – LA DHS runs training programs

Dates	Action
7/16-19/2004	<ul style="list-style-type: none">• Notify Drew of our intent to sponsor the training programs• Notify Drew faculty and King/Drew residents of proposed change in sponsorship• Notify ACGME of change in sponsoring organization• Select an interim Director for GME and staff GME office• Develop baseline budgets for each program
7/19-26/2004	<ul style="list-style-type: none">• Select interim Program Directors for each program• Begin work on faculty assessment and educational issues• Begin negotiations with faculty for workload and salary
7/19-30/2004	<ul style="list-style-type: none">• Refine first year budgets for each program
7/19-30/2004	<ul style="list-style-type: none">• Finish initial program analysis and develop performance expectations for each program
8/30/2004	<ul style="list-style-type: none">• Finish first year contracts with each faculty member